Iowa Water Summit

November 2003

- **Current Programs, Resources and Deployment Report**

Vision Statement

Make Iowa a national center of expertise for clean water and a recognized leader for watershed restoration.

Goal

Identify and recommend multi–objective resources which provide for the implementation of water quality enhancement and improvement programs in Iowa's watersheds. Through a democratically based approach build a politically supported framework for increased cooperation, coordination and collaboration that will enhance partnerships between federal, state and local government, the private sector and the public:

- ***To achieve and maintain water resources for drinking, business and industry, economic development, aquatic habitats, recreation and its aesthetic worth;***
- ***To maximize efficient use of existing and new resources;***
- ***To assure progress toward no impaired waters in Iowa by 2010.***

Summary of Findings

The *Current Program, Resources and Deployment Working Group* met with representatives of state, federal, local and private entities familiar with funding sources to determine if Iowa is maximizing all funds and programs available and if not, why. There is no priority ranking of the recommendations included in this report.

While the lack of funding, especially state funding is apparent it is not the only challenge. Diffusion of responsibilities among multiple units and levels of government, inflexibility in administration, and lack of information, poor coordination, competing priorities and failure to leverage funds also inhibit progress. Technical assistance and cost-share programs lack the ability to offer one-stop shopping. Existing financial resources such as the State Revolving Loan Funds are underutilized. Private sector funding has not been utilized to its fullest potential. Just as important is the need to empower local watershed groups to solve water quality problems through local leadership and public support. Developing local leadership and capacity must also be high priorities.

All Iowa residents and landowners must have a better knowledge of Iowa's water quality problems and solutions. Nutrients from both point and non-point sources, sediment and failing water and wastewater infrastructure all impact economic development, recreation, habitat integrity, tourism, and public health. Everyone living or owning property in Iowa must understand that they have a responsibility to protect water quality. An education and marketing plan addressing water quality and promoting successful solutions must be developed and implemented.

Federal funding programs have a significant impact on water quality. More relevance must be placed on water quality in current and future policies and programs. Progress has been made but lack of funding has curtailed what could be accomplished. Additional emphasis on mid-western states and the problems of nutrient management needs to be addressed at the Federal level.

Funding of research and demonstration projects are needed to confirm the effectiveness of current Best Management Practices (BMPs) and the development of new BMPs to manage hydrology. Active and coordinated promotion of the most cost effective practices is essential.

It will require a sizeable increase of funding to totally address the impacts of contaminants on water quality in Iowa. The allocation of available funds must be strategically targeted to results based programs to provide for the maximum improvement in water quality attainable in the shortest amount of time. A process also needs to be developed to evaluate all programs as to their value, process, effectiveness and efficiency in protecting multiple objectives including water quality in Iowa. While there are needs for new funding, greater efficiency and accountability in the use of current public funds is also imperative.

With the dry summer just passed everyone in Iowa understands the effect the lack of water can have on crops, lawns, and waterways. The quantity of water is very important to us, but…

If we all had the same understanding on the importance of water quality as we do quantity, real progress could be made.

● **Implementation Step**

- **Develop a plan for building local capacity for watershed councils using principles set forward in the Watershed Task Force Report**
- **Utilize existing authority under Iowa Code for watershed improvement. Optimize the ability to leverage additional resources at the local level. The Iowa Department of Agriculture and Land Stewardship, Soil Conservation Districts should provide the leadership to develop a funding coordination plan. (**Drainage districts, watershed sub-districts, storm water utilities, 28E agreements, etc.)

- **Educational Needs**
  Educate stakeholders on the value of a watershed approach.

  Provide leadership training including information on the statutes defining local authority to organize and their ability to generate funds locally.

- **Financial Resources**
  Increase state resources to leverage with other public and private entities to provide for education and training.

  Prioritize incentive and cost share funds to support these local organizations and efforts.

- **Social Economic Impact**
  Local communities become empowered to restore and protect local watersheds. This builds a strong sense of ownership.

  Builds a base of support for recruiting more watershed protection groups

  Watershed development allows for greater leveraging of public and private resources.

- **Measures of Success**

  August 1, 2004-Develop and implement a training program

  December 31, 2004-Assess training effectiveness (annually thereafter)

  August 1, 2004-Revise current state watershed grant guidelines to better support local watershed planning and implementation initiatives

  March 31, 2004- The Iowa Department of Agriculture and Land Stewardship, Soil Conservation Districts will develop a funding coordination plan.

● **Implementation Step**

- **Dedicated and sustainable state funding to protect water quality in Iowa by:**
- **Increased priority ranking of Environment First Fund,**
- **Re-direct sales tax collected on drinking and bottled water,**
- **Utilize revenues from the lottery and develop an unending dedicated game focusing on Iowa's natural resources,**

- **All fees and fines used to re-capture costs and reinvest in water quality in the affected area and**
- **Expand remediation role of the Iowa Underground Storage Tank Fund to better protect groundwater and surface water.**

- **Educational Needs**

  Policy makers and the public must be informed that watershed protection and clean water compliance is an investment in the state.

  Anyone with the opportunity to pollute, either intentionally or accidentally any waters of the state must fully understand the consequences. The opportunities to train may include, at the time of applying for a permit, renewal of a permit, classes, media campaign, etc.

  Policy makers need to know that the original mission of the fund may be completed in a couple of years but many water quality impacts of leaking tanks, including those containing petroleum fuels have not been remediated or mitigated.

- **Financial Resources**

  An estimated $15 million in sales tax-general fund revenue will be dedicated to supplement current drinking water programs.

  Gaming revenues are an appropriate source of revenue for capital improvements in water restoration projects.

  Polluter pays fees and fines to cover investigation and remediation of affected area.

  Approximately $19 million in fuel taxes are collected annually. These groundwater protection funds could be redeployed for other watershed protection needs.

- **Social Economic Impact**

  Proactive watershed protection is important for economic development and preventing unreasonable future cost to drinking and wastewater treatment utilities.

  New state investment is less than 1% of the states total budget.

  The citizens of Iowa know and understand the commitment by the state to protect public health and the quality of the waters of the state.

  Two important benefits of the program include groundwater protection and neighborhood re-development. No negative impacts in the 15 year existence of the program.

- **Measures of Success**

  July 1, 2004- All revenues from sales tax on drinking and bottled water are directed to water resource needs.

  July 1, 2004-The Environment First Fund is given a higher priority for receiving gaming revenues.

  July 1, 2005-Implement the impaired waters restoration plan with gaming revenues.

  June 1, 2004-Legislation passed and signed into law allowing all fines due and collected for water quality infringements to remain within the water quality programs.

July 1, 2004-Legislation and/or rules to allow transition of program resources to address water contaminants from motor vehicles and petrochemicals

● **Implementation Step**

► **To receive Tax Increment Financing (TIF) or economic development grants the applicant must assure water quality protection and improvement where possible.**

- **Educational Needs**
  Policy makers and the public should expect responsible environmental behavior from developers and communities, especially those receiving government funding.

- **Financial Resources**
  Governments responsibility to check compliance with the rules, cost is negligible.

- **Social Economic Impact**
  Environmental protection costs are typically lowest when they are designed into new development, rather than address them after construction.

  We are not suggesting an environmental impact study be a requirement of this recommendation.

- **Measures of Success**

  Fall 2004-Achieve support from stakeholders
  July 1, 2005-Passage of state legislation

  July 1, 2005-Refer to Iowa Department of Natural Resources to assure fulfillment

● **Implementation Step**

► **Municipal wastewater permit fees should at least cover the cost of program administration.**

- **Educational Needs**
  Policy makers and the public should know that general funds are utilized to pay for administering the municipal wastewater program. It is more appropriate to have permit programs be self sufficient.

- **Financial Resources**
  The municipal wastewater program costs roughly $2 million annually. Charging permit fees will allow the current appropriation to be used for watershed protection.

- **Social Economic Impact**
  Economic impact may be less than $1/year per citizen.

  A positive economic impact on a community will occur when the timeliness of permit issuance is improved.

- **Measures of Success**

  July 1, 2004-Legislation passed to authorize municipal wastewater permit fees

  July1, 2004-No decrease in budget commensurate with municipal wastewater fees

…An improved level of service is inherently expected with this level of funding

- **Accelerate research and demonstration projects for alternative methods of management and improvement of aging drainage infrastructure systems emphasizing agronomic, economic and water quality issues. Recommend the Governor appoint a state university to lead this effort and appoint an advisory board of stakeholders to develop a plan identifying work elements, time frames and costs.**

- **Educational Needs**
  Landowners, local government, policy makers, environmental and agricultural organizations need to understand the issues around drainage and water quality.

- **Financial Resources**
  Some work is underway at Iowa State University on a limited number of alternative systems that include their impact on water quality. Funding is limited and comes from the Agriculture Management Account administered by the Division of Soil Conservation. A project could be scoped out by researchers with an improved estimate made after the work plan is completed.

- **Social Economic Impact**
  The Des Moines Lobe is one of the most agriculturally productive areas in the world. This productivity was made possible by the extensive drainage system installed about 100 years ago. Because the environment was altered significantly, the high value of farmland and the deterioting drainage system it is reasonable to assume the system will be replaced in the 21st Century. Tile line water often has high elevated nitrate levels which provide much of the base flow for streams used by a significant percentage of the Iowa population for drinking, manufacturing, food processing, and recreation. Having the ability to improve water quality from tile lines by upgrading the tile system is very important to all Iowans.

- **Measures of Success**

  January 1, 2005-A plan is to be presented to the Governor and the legislature

  January 1, 2006-Have technical standards in place for drainage system replacement that is recognized and accepted by both drainage and water quality interests that will lead to improved water quality, more efficient and cost effective practices being installed

Implementation Step

- **Streamline the SRF loan process and implement a continuous loan process for the Clean Water and Drinking Water State Revolving Loan Fund (SRF) by putting an experienced lending entity in charge of loans.**

- **Appoint a permanent SRF advisory committee of stakeholders to assess the efficiencies and effectiveness of the program and make recommendations for processing reform and financing terms.**

- **Maximize the leverage of EPA's capitalization grants. Loan programs should generate sufficient income to fund administration of the loan program and contribute to clean water programs.**

- **Increase use of Clean Water SRF for non-point source programs**

- **Increase use of Drinking Water SRF set-aside for source water protection**
- **Assist *Sponsored Projects (1)* for watershed improvement under the Clean and Drinking Water SRF.**

- **Educational needs**
  Work with staff to dramatically shorten the infrastructure approval process. Offer training and technical assistance to loan applicants.

  Educate and market customers on both infrastructure and non-point source program potential

- **Financial Resources**
  No new funds. The SRF currently generates sufficient income to pay for its administration.

- **Social Economic Impact**
  Local communities and producers will have access to funding which can be used as a source for matching funds on projects to protect local water quality.

- **Measures of Success**
  December 31, 2004-The Clean Water SRF should set a goal to increase its non-point source loan portfolio by $10 million annually and contribute at least $2 million annually to Sponsored Projects

  March 1, 2004-Appoint a stakeholder group to recommend program improvements

  December 31, 2004-Drinking Water SRF should offer greater incentives for source water protection

● **Implementation Step**

- **The Governor has the leadership responsibility to coordinate funding, staff and programs to improve the effectiveness of all state programs with water resource related responsibilities. Therefore, the Governor through Executive Order should insist on cooperation and coordination between all state agencies. The Governor should issue invitations to local, federal and public agencies, non-profit organizations and businesses to participate in addressing any resource impacting water quality and watershed management.**
- **Once ordered the Governor with input from a stakeholder group will initiate, oversee, and implement a needs assessment and a clean water action plan.**
- **Improve results based targeting of state resources for water quality. (The best outcome for the dollars invested.)**

- **Educational needs**
  Educate stakeholders and all local, state, federal, public and private agencies on targeting and other issues related to their individual and collective results based roles, responsibilities, resources, authorities, performance expectations and accountability.

  Educate the public including elected officials through training and marketing approaches regarding the purpose, activities and expectations of the coordinating process.

  Recruit and Train watershed groups interested in developing watershed protection projects. Beginning with how to organize, procure funding, and how to characterize and properly assess

their watershed to determine need. Utilizing tools such as GIS technology that can identify areas within a watershed where practices and projects are most efficient and effective in protecting water quality.

- **Financial Resources**
  The Executive Order will not require new financial resources.

  Local and federal agencies and private entities will be encouraged to utilize their water resource staff and funds more efficiently and effectively by coordinating efforts in a manner consistent with and supportive of a stakeholder group.

  Existing funding is totally inadequate to meet current demands. New targeted watershed projects will take a commitment of local, state and federal resources.

- **Social Economic Impact**
  Increased efficiency and effectiveness in utilizing state and non-state resources for water quality protection

  Improved understanding of the state's water resource needs as well as the actions required for their improvement and protection

  Improved water resources will protect drinking water sources and result in increased recreation, tourism, and economic development. Targeting may result in better utilization of existing funding and put resources where they are most needed.

- **Measures of Success**

  March 1, 2004-An Executive Order for watershed coordinating is in place

  June 1, 2004-A formal stakeholder group is in place

  December 31, 2004-Completion of the needs assessment and multi-year implementation plan with annual performance goals, priorities and measurable outcomes

  July 1, 2005-State technical and financial resources are directed to priority activities identified in the clean water action plan

  January 1, 2006-Report status of the clean water action plan and report annually thereafter

● Implementation Step

- **The Governor, legislature and Iowa's Congressional Delegates have a responsibility to work for changes in federal funding and policy issues to better target Midwestern states water quality issues.**
- **Develop a multi state coalition to lobby for changes in current and future federal water quality funding and policies**
- **Work with appropriate federal agencies to accelerate technical and financial assistance for water quality issues in the Midwest.**
- **Seek a special designation from the U.S. Environmental Protection Agency and the U.S. Dept. of Agriculture to act as a pilot project for water quality enhancement and improvement programs. The pilot project would include access to federal funds to target measurable, results-based watershed projects to reduce nitrogen and phosphorus in Iowa.**

► **Within the Conservation Title of the current Farm Bill use all appropriate funding tools such as the Conservation Security Program to improve water quality.**

- **Educational needs**
  Congressional delegations, the Governor, state legislators, agricultural, environmental and other groups need to understand the potential projects and their leadership roles.

- **Financial Resources**
  Commitment of resources by all parties will be critical to the success.

- **Social Economic Impact**
  Provide additional funding to help farmers implement practice technologies that are efficient and effective in protecting Iowa's water quality.

- **Measures of Success**

  July 2004-First informational and organizational meeting for the special designation project

  October 2005-Plan completed identifying resources needed, responsibilities of parties, time frames and funding targeted to help resolve water quality issues in the Midwest.

DEFINITION

(1) ***Sponsored Project***-A sponsored project loan finances both a local waste water treatment project and a second local project that is requested by the Department of Natural Resources; and the interest rate on the loan is greatly reduced so there is little or no actual cost to the community for sponsoring the second project.

Water Summit - Working Group – Agendas and Speakers

September 30th	**October 8th**
Discuss agenda, speakers, charge	General discussion-is format working-other speakers…
Lyle Asell, IDNR	Marty Atkins NRCS
Bill Ehm, IDALS	Duane Sands, INHF Private Funding
Discussion-Lunch Break	Discussion-Lunch break
Valeria Hansen, Project Manager Army Corp of Engineers	Damon Frizzell EPA-Water Resource Protection Branch
Discussion	Discussion
John Moreland, Senator Harkin's Staff Farm Bill	Stan Johnson, ISU Extension Environmental Management Systems
Discussion	Discussion
October 17th	**October 24th**
Mike Tramontina, IFA Dennis Alt, IDNR Wayne Farrend, IDNR SRF Funding	Duane Sands, Iowa Natural Heritage Foundation---Funding opportunities and their connection to the Water Quality Task Force Goals
Rob Middlemis-Brown U.S. Geological Survey	Develop Recommendation(s)
Steve Veysey Sierra Club	
Next meeting date, time, etc…	Next meeting date, time, etc…
October 30, November 3, and November 14 meeting were spent developing recommendations.	

Respectfully submitted,

_____ Linda Kinman, *Iowa Association of Water Agencies*

_____ Dave Tierney, *Monsanto*

_____ Jamie Cashman, *IA Dept. of Agriculture & Land Stewardship*

_____ Doug Gronau, *Iowa Farm Bureau Federation*

_____ Lyle Asell, *Iowa Department of Natural Resources*

_____ Duane Sands/Mark Ackelson, *IA Natural Heritage Foundation*

_____ Deanna Roelfs, *Iowa Select Farms*

_____ Mike Tramontina, *Iowa Finance Authority*

_____ George Naylor, *IA Citizens for Community Improvement*

_____ Marty Braster, *Rathbun Regional Water Association*

ADDENDUM

► Local Capacity

The use of stakeholder groups to plan, direct or advise watershed projects is well accepted among conservation professionals and special interests who want to help shape such projects. The Watershed Council is a concept used in many states to encourage diverse stakeholder leadership groups. Some states give specific authorities for organizing and administering projects through Watershed Councils. A broader and more flexible concept is suggested for Iowa, where councils may serve as leadership committees associated with one or more Soil and Water Conservation Districts, or perhaps incorporate as non-profit organizations where there is a long term community commitment to water quality improvements. Watershed councils can be specifically organized for addressing water impairments in watersheds extending into two or more counties; and where it is important to gain the support of various agencies, trade organizations, and conservation groups that may be organized along county boundaries. They are also important for encouraging and enabling citizen leadership rather than depending on individual conservation agencies or staff professionals to correct water impairments. The committee endorses the specific recommendations of the Watershed Task Force Report for building local capacity. In brief, it called for state financial and technical support to assist local watershed councils with problem assessment, watershed planning, outreach, group facilitation and organizing local projects. A greater emphasis on state watershed planning and organizing grants is needed to encourage greater use of local volunteers, local funding sources and special management districts.

The Code of Iowa has a variety of special districts or authorities based on watershed management needs. There are processes for citizens to petition local government to raise revenues to address local needs. Examples include drainage and levee districts, water quality and recreational lake districts, flood control districts, watershed districts and storm water utilities. Any state effort to address impaired waters should solicit the help of such authorities already organized for watershed and water management. In many cases there is potential for local financial support and establishment of new special districts when the impairment has negative impacts on a community, or when clean-up can be shown to benefit a community.

Most of these special districts rely on property tax revenues or one time assessments against properties that benefit from public improvements. Storm water utilities are allowed to charge monthly service fees along with other municipal billings for utility or waste handling services. In some cases county and city governments enter into 28E agreements to make long-term water quality investments, as was done in Dickinson County for the Iowa Great Lakes. The authorities are often eligible for Clean Water State Revolving Loans because of dependable revenues to pay for financed projects.

Drainage and levee districts may be essential partners in reducing nutrient enrichment of impaired waters, as well as addressing some of the habitat altered, flow altered and biologically impaired water bodies. Storm water utilities are an essential tool for addressing bodies impaired by urban run-off. Organizing new watershed districts may by important for giving local landowners a financial stake in timely correction of impairments.

There is a general sense that state and federal financial assistance is always in great demand and it is reasonable to leverage outside investment with local support and leadership. In most cases a long-term commitment may be needed from local communities and local management authorities are needed long after state funding ends.

Tools already developed that may provide guidance to developing watershed groups are:

1. A *Facilitators Guide to Building Watershed Communities* has been developed by Lois Wright Morton and others at the Extension to Communities Department, Iowa State University. The manual is a guide to building and sustaining resident-led watershed management in at-risk watersheds. The manual was developed with grant funding through the Environmental Protection Agency. With additional funding the manual should be marketed to industry associations, community groups, etc. The manual outlines:

- Principles and assumptions about citizen involvement in watershed management
- Preparing for a community watershed meeting
- Role of third party facilitator
- Conducting a community watershed meeting
- Creating a local group/forming a watershed council
- Sustaining local interest
- Local, state and private partners that offer services, technical support, and expertise
- Troubleshooting
- Strategies and techniques for acquiring local knowledge about watersheds
- Displaying and presenting data to build local knowledge and guide decision making
- Other resources…

2. In 1965 the Agricultural Law Center, University of Iowa prepared the *Legal Aspects of the Small Watershed Program in Iowa* (attached). With minimal updating, this document outlines existing authority for watershed improvement and optimizing additional resources at the local level. This information needs to be more visible to watershed groups.

► Dedicated – Sustainable Funding

The committee calls for a coordinated state action plan, which logically requires a dependable stream of funds to implement the plan and thus eliminate impaired waters. The concept of dedicated revenue sources gives greater credibility to the initiative given the state's recent history of environmental spending cuts. Several ideas are recommended to supplement any revenues available from the state general fund:

1. Environment First Priority

Conservation agencies have had embarrassing stoppages of state and local projects due to litigation of casino taxes and the "Environment Last" ranking for ear-marked gaming revenues. A change in priority would help restore credibility with landowners, contractors and conservation partners who carry out water protection projects.

2. Drinking and Bottled Water Sales Tax

The State of Iowa sales tax was enacted in 1934. Many individuals question the soundness of taxing a natural resource. Many will say that clean water is a universal human right. Throughout history people have settled close to water because it is necessary for sustaining life for people, plants, and animals. But for whatever reasons, whatever beliefs, all life is dependent on water for survival. The working group believes the state has an obligation to protect water resources in Iowa that are necessary to maintain all life. That obligation can begin to be achieved by designating sustainable funds to; watershed remediation and protection, drinking and wastewater utility infrastructure replacement and meet all requirements of the Safe Drinking Act.

Iowa Code Sections-the Retail Sale of Water

422.42 (Definitions) and 422.43 (Tax Imposed) of the Iowa Code define water as a retail sale item and authorizes the state to collect a sales tax on it.

422.42(13) defines "retailer" as..."every person engaged in the business of selling tangible goods, wares, merchandise or taxable services at retail, or the furnishing of gas, electricity, water, and communication service..."

422.42(14) defines "retail sale" as...the sale to a consumer or to any person for any purpose...and includes the sale of gas, electricity, water, and communication service to retail consumers or users..."

422.43(1) says, "There is imposed a tax of five percent upon the gross receipts from all sales of tangible personal property, consisting of goods, wares, or merchandise, except as otherwise provided in this division, sold at retail in the state to consumers or users; a like rate of tax upon the gross receipts from the sales, furnishing, or service of gas, electricity, water, heat, pay television service, and communication service..."

Sales Tax Revenue

*Iowa Financial Summary-Fiscal Year 2004

General Fund Revenue--- Sales Tax *($ in millions)**

2002 Actual FY	2003 Estimated FY	2004 Estimated FY
2,372.0	2,444.4	2,529.4

While sales tax revenue collected on drinking water has not been specifically tracked, it is estimated to be approximately $12 million a year.

Sales Tax Repeals

Iowa Code Section	Description
422.45(12) (1974)	Food for human consumption
422.45(13) (1974	Prescription Drugs
422.45(61) (2001)	Phase out…on the sale of metered electricity, metered natural gas and fuels and heating oils for residential customers

Sales Tax Exemptions

Sales tax exemptions have been granted on products and services linked to water quality concerns in Iowa:

Iowa Code Section	Description
422.42(3) (1937)	Commercial fertilizer…
422.45(25) (1974) 422.45(25) (1985)	Flying services-agricultural aerial application and commercial aerial charter and transportation flights Aerial application services
422.42(3) (1987)	Agricultural drain tile and installation thereof
422.45(34) (1987)	…water…used in all implements of husbandry engaged in agricultural production
422.45(42) (1989)	Sale or rental of irrigation equipment used in farming operations
422.42(14) (1997)	Adjutants, surfactants, and like chemicals used in agriculture production
422.45(26A) (2001)	The sale or rental of irrigation equipment to a contractor or farmer, whether installed above or below ground, if the use of the equipment is primarily agriculture production
422.42(14) (1985)	Expanded processing exemption extended to the food products industry to include sanitation…
422.42(3), 422.45(19) (1987)	Chemicals, containers, and bags used by dry cleaners.

Drinking and Waste Water Infrastructure Needs

Iowa's drinking water infrastructure needs for the next 20 years are estimated based on 1999 dollars, to be $2.8 billion. In 1996 traditional wastewater infrastructure needs were estimated at $821 million.

Infrastructure needs will have the greatest impact on small communities.

Population (%) Served by Community Water Systems (CWS)*

CWS Size	U.S.	Iowa
Small (25-3,300)	10	54
Medium (3,301-10,000)	10	17
Large	80	29
Approximate Total Population Served	250,000,000	2,600,000

*Percentages based on the total number of people who subscribe to CWSs
Sources: US EPA (1999c), IDNR (2001)

3. Gaming Revenues

It was noted that the Iowa Lottery was initially promoted as a source of environmental revenue. Conservation has continued such ties with gaming revenues going through the Resource Enhancement and Protection program (REAP), as well as the broader Environment First Fund appropriations. Gaming revenues may be one immediate growth area of the state budget. The long established philosophy that

gaming revenues be used for infrastructure and short term initiatives can be applied to this effort to eliminate impaired waters by 2010. There is also a strong link between water quality and economic development. The later has also become a priority for gaming revenues through Vision Iowa bond payments.

The Committee sees gaming revenues as a legitimate funding source for clean water. If needed, a lottery game dedicated to natural resource protection should be established, partly as a supplemental source of funds and partly for the public awareness benefit that may come from the advertising budget for the game.

4. Fees and Fines

There are some opportunities to help finance watershed efforts through Clean Water Act enforcement. Sometimes EPA wins major enforcement fines through litigation with polluters, but may not tie these funds back to Iowa water protection plans. The current system for fish kill fines deserves continued support, where DNR is allowed to recover enforcement costs and penalties are transferred to the local Soil and Water Conservation Districts to help fund restitution for stream damages. Fees should cover administrative costs and fines should be a deterrent for irresponsible or careless activities. Fines should support water protection work, but should not be done in a way that implies a conflict of interest because the enforcement authority is perceived to collect fines for the benefit of the agency.

5. Underground Storage Tank Fund

The initial processing of abandoned sites of leaking underground petroleum storage tanks will be completed in a couple of years and repayment of state bonds that financed the work will take several more years. However not all sites were thoroughly cleaned up because of excessive costs compared to benefits. It is appropriate to fund additional ground water protection efforts in those communities as a more complete mitigation of damages. In addition, the combustion of petroleum fuels is a substantial source of nitrogen oxides, which enrich rainfall and contribute to nitrogen impairments of Iowa streams. These are some of the technical justifications for expanding the remediation efforts paid from the Underground Storage Tank Fund. Petroleum taxes dedicated to this fund and its bond payments are a major revenue stream for the environment and should continue to be used for groundwater protection, water monitoring and assessment of unknown impairments where appropriate. Policy makers have exhibited a great deal of flexibility in using this environmental fund in recent years with a total of $94 million dollars diverted to general fund needs over the past eight years. It appears the ability of the independent board to issue state bonds has helped finance the general operations of the state in times of budget stress. A little flexible revision of UST fund rules or a little amendment of state law could keep this major funding stream and financing source available to help address impaired waters.

The working group purposely did not request an environmental audit. The cost and process of doing an environmental audit was deemed excessive. But, the working group did believe it was not asking too much to at least get confirmation from a business or industry that they are making a commitment to protect Iowa's water resources.

Water is a resource that can be marketed to attract business and industry to Iowa, especially in areas like the food processing industry. Water quality is also a key factor to an employer when evaluating a community in their ability to provide a good quality of life for their employee's. The quantity and quality of water in Iowa is greater than many major communities in the United States. Business and industry locating in Iowa must be committed to protecting our water resources. Requesting assurance of water quality protection will raise an applicant's awareness as to the importance and commitment Iowans place on water quality. Business and industry will understand that the commitment to water quality is long term. They will not have to move in future years due to the lack of accessible or poor quality of Iowa's water resources – one of the important reasons they selected Iowa in the first place.

Iowan's want water quality protection. Since tax money to fund TIF and other community development grant opportunities is tax money paid by Iowans, their interest needs to be served by assuring water quality protection in all arenas of government programs. It is more cost effective in the long run to protect Iowa's water resources than it is to clean-up polluted water resources and to replace companies who are no longer able to depend on the quantity and quality of Iowa's water resources. Iowa's water resources are not disposable – you cannot use them – throw them away – and pick-up a new source. Commitment to protecting water quality must be shared by everyone and it has to be long term.

► Municipal Wastewater Permit Fees

Funds to administer the wastewater permit program could be implemented that are similar to the fees paid by the drinking water industry. Drinking water utilities pay an annual operating fee based on population served for administration and technical assistance of the drinking water programs. It is important to recognize that to support this fee the wastewater industry will require improved services from DNR.

► Drainage Infrastructure Research

Most of the drainage infrastructure in Iowa was installed between 1906 and 1930. This work was possible because of advances in drainage technology and the 1906 drainage law. Most of this infrastructure has been in place for nearly a century and is showing its age. Sediment, physical damage from various sources, broken tile, faulty construction, changes in design criteria, etc., results in systems that do not meet needs of intensive crop production. At the same time water from tile lines in North Central Iowa often have nitrates in the 15 to 35 ppm range. It is estimated total N averages 40 (close but not final number—we will get the real number to you later.) pounds lost per acre over the 7.6 million acre Des Moines Lobe which contributes to the significant water quality concerns of cities using surface water supplies for their citizens such as Des Moines and Cedar Rapids.

The drainage work installed early in the twentieth century was singular in intent, which was to carry out the public policy of converting wetlands and wet soils to crop production. Besides the physical changes in the drainage system we now have a change in public expectations for high quality water for drinking, recreation, manufacturing etc. from the Des Moines Lobe. To expand the singular drainage objective into one including water quality improvement will take new a different set of technologies that are known today. Examples may include controlling release of water from tile lines during some times of the year, surgical replacement of wetlands, etc.

While research is underway in the Upper Midwest, including Iowa, it should be accelerated and consider both water quality and agronomic impacts. This will require a commitment by the State of Iowa and others to invest in the research and demonstration efforts just as our forefathers invested a century ago.

► Clean Water and Drinking Water State Revolving Loan Funds (SRF)

Recommendation	Background
Separate the water enforcement and project permitting processes from loan approval for Clean Water and Drinking Water SRF by putting an experienced lending entity in charge of loans.	Currently IDNR's CWSRF and DWSRF staff carryout each of the following duties: enforcement of violations of water pollution standards; approval of municipal water infrastructure construction project plans and specifications; loan underwriting and approval of SRF loans. Wells Fargo bank of Des Moines does SRF loan servicing. Each of IDNR's processes is distinct with different skills and processes required. Having the same team process each of these steps is like having the same team steer, row and build the boat. The regulatory process of enforcement and plan approval should be handled by IDNR but loan approval should be shifted to IFA. This separation is common among other states. The average processing time for a CWSRF loan is between 2.2 years. Potential municipal borrowers consistently choose to borrow directly from the capital markets even though SRFs 3% interest rate is lower because processing takes too long. The requirement to meet federal Historic Preservation (106 Process) standards is one impediment. The result is that in spite of huge water infrastructure needs in the state there is far less demand for SRF loans than funding available.
Appoint a SRF Advisory Committee of stakeholders to assess the efficiencies and effectiveness of the program and make recommendations for processing reform and financing terms.	The Water Bureau should go through the same process of reinventing its business processes that the Air Bureau recently completed successfully. Potential municipal borrowers should be involved not only in the business process review but also on-going in the operations and rate setting by IDNR, EPC AND IFA.
Maximize the leverage of EPA's annual Capitalization grants. Loan programs should generate sufficient income to fund administration of the loan program and contribute to clean water programs.	The current SRF funding structure is designed to leverage the annual EPA capitalization grant up to 3 times. (i.e. if the cap grant is $25 million, $75 million can be loaned). However, for the past several years loan demand is less than the EPA grant available. There is no ongoing effort to market the SRF program to potential borrowers or engineers. More effort is needed to raise awareness of the availability of funds, provide Technical Assistance to apply and reduce the paperwork and processing delays. All 3 credit rating agencies rate Iowa SRF bonds as AAA.
Increase use of SRF for non-point source programs.	While Iowa is a national leader in non-point source pollution problems and we have a surplus of available SRF funds, we have trailed most other states in offering the funds for this purpose. Currently, administrative rules are pending but the amount of set aside is relatively small and no steps have yet been taken to market the new programs.
Assist *Sponsored Projects* for watershed improvement under the Clean and Drinking Water SRF.	*Sponsored Projects* are the name other states (Ohio, Oregon etc.) have used for loans to non-profit corps or

	municipalities for land acquisition or repair that reduce non-point source pollution by passive means (wetland reconstruction, landscaping) that are *virtually* repaid by water users.

► Coordination of Funding, Staff and Programs – Executive Order

One presenter said "Funding is always available – the organization is the missing link – and you sometimes have to be creative." The working group could not agree more with this statement. The group cannot stress enough that the multiple units and levels of government, inflexibility in program administration, lack of information, poor coordination, competing priorities and failure to leverage funds dramatically impacts the ability for progress. These issues need to be resolved to attain not impaired waters in Iowa by 2010.

► Midwest Coalition – Pilot Project

The Farm Security and Rural Investment Act of 2002 (Farm Bill), conservation title, provides financial and technical resources that are critical to our success in addressing water quality issues in Iowa. While there are opportunities there are also challenges. For example, appropriation levels are not reaching authorized levels and allocations to Iowa are far short of our needs.

As part of our strategy to secure funding to address water quality issues we need to consider USDA programs as a major source and implement a plan to have greater access to those funds. To do so we need to have a coordinated response to issues, proposed rules, appropriation levels, allocation formulas, etc. This effort should be coordinated out of the Governor's office because it cuts across many Departments mission areas. Secondly we need a coordinated approach on new initiatives such as the grassland reserve program (GRP), conservation security program (CSP), partnerships and cooperation (P&C), and appropriations to carry out all programs. While the farm bill provides the most significant federal funding we should not over look other federal programs such as those administered by EPA, COE, USFS and USFWS and have a similar approach to them.

We also need to prepare for the next farm bill (probably 2007) conservation title. . In reviewing the conservation title of the 2002 farm bill there are two ways to target funding. The first is by issue; for example 60 percent of the EQIP is to be used for animal agriculture. Another issue is for Ground and Surface water Conservation authorized for $25,000,000 in '02; $45,000,000 in '03; and $60,000,000 for each year '04 through '07. It also introduces the second way of targeting funding which is geographic; in this case it provides $600,000,000 over the life of the bill for the Klamath Basin in Oregon and California. Another geographic authorization is for Agricultural Management Assistance in the states of Connecticut, Delaware, Maryland, Massachusetts, Maine, Nevada, New Hampshire, New Jersey, New York, Pennsylvania, Rhode Island, Utah, Vermont, West Virginia, and Wyoming. This was authorized at $20,000,000/year 2003 through 2007.

The Governor should lead an effort to form an alliance with other states with similar issues and interests, for example the eastern Corn Belt or upper Mississippi River states. Common interests would include hypoxia, nutrient criteria, TMDLs, CAFOs, and source water protection—plus funding levels from the current farm bill. The issues involved should be broadly defined initially so the other states have real input into developing the final proposal. This would involve finding what worked in '02; what is currently going on (for example HR 961-The Upper Mississippi River Basin Protection Act); identifying needs; developing a budget; determining congressional support; etc. Once we have the alliance in place with a plan to target an issue or area the Governor needs to follow through with leadership and resources to insure success.